

1942.

NEW ZEALAND.

FINANCIAL STATEMENT

(SUPPLEMENTARY).

(In Committee of Supply, 24th June, 1942.)

By the Right Hon. PETER FRASER, Acting Minister of Finance.

MR. CHAIRMAN—

In introducing last April the Financial Statement for the current year it was necessary to anticipate the previous year's results and at the same time make provisional estimates of the various headings of revenue and expenditure for this year.

The accounts for the year ended 31st March last have now been published, so that it is unnecessary for me to refer to them in detail. I would, however, draw your attention to the satisfactory surplus of £1,672,000 in the Consolidated Fund. This surplus arises from additional revenues, particularly Customs and income-tax, which exceeded the estimates by £402,000 and £412,000 respectively. Total revenues exceeded the Budget estimates by £1,945,000, while expenditure exceeded the appropriations by a total of only £46,000, which, on the whole, indicates very satisfactory estimating.

**Consolidated
Fund.**

The Social Security Fund for last year closed with the results anticipated in my April Statement—namely, that the receipts exceeded the Budget estimate by a total of £458,000, while the expenditure fell short of the appropriations by £1,141,000, these results being reflected in an increase in the balances carried forward into the current financial year.

**Social Security
Fund.**

In the War Expenses Account the expenditure was £11,660,000 less than the Budget estimate of £64,100,000, this being due solely to the delay in receipt of claims from overseas. The public accounts being kept on a purely cash basis, these liabilities are not brought to charge until payment is actually made.

**War Expenses
Account.**

I would explain, however, that the expenditure incurred in New Zealand was actually greater than that budgeted for, as there was a substantial increase in the rate of local expenditure following Japan's entry into the war. The reduction in total to which I have referred relates to the overseas portion of our expenditure which is financed by the United Kingdom Government.

Full details regarding last year's war expenditure were given to honourable members at a recent secret session of Parliament, and I do not propose to repeat such information on this occasion.

In respect of the current financial year, the estimates of revenue and expenditure which I presented in April last have been carefully revised, but the minor amendments involved are insufficient to justify altering the Budget picture. As regards the Consolidated Fund the various headings of revenue are maintained on the same basis as previously, but a reduction has been effected in both permanent and annual appropriations totalling £424,000, mainly on account of public debt charges, but the amount of this reduction will probably be required for supplementary estimates and to provide for contingencies.

**Consolidated
Fund, 1942-43.**

The Consolidated Fund Budget for this financial year may therefore be summarized as follows:—

				REVENUE.	
				£	£
Taxation—					
Customs	..	..	..	6,700,000	
Beer duty	..	..	..	1,500,000	
Sales tax	..	..	..	3,200,000	
Highways	..	..	..	1,800,000	
Stamp duties	..	..	..	1,600,000	
Land-tax	..	..	..	1,000,000	
Income-tax (including excess profits tax)	..	..	..	16,500,000	
Miscellaneous	..	..	..	210,000	
				<hr/>	32,510,000
Interest recoveries from trading activities, &c.				3,226,000	
Other receipts				2,450,000	
				<hr/>	5,676,000
					<hr/> <hr/>
					£38,186,000
					<hr/> <hr/>
				EXPENDITURE.	
Permanent appropriations (including transfer of £1,500,000 to War Expenses Account)				17,873,000	
Annual votes				19,629,000	
				<hr/>	37,502,000
Supplementary estimates and contingencies					684,000
					<hr/> <hr/>
					£38,186,000

Any saving in the amount provided for supplementary estimates and contingencies will be transferred to the War Expenses Account.

**Social Security
Fund, 1942-43.**

As regards the Social Security Fund, after allowing for the additional cost-of-living allowances already announced, the expenditure from the Fund for this financial year is estimated at a total of £16,197,900 as follows:—

				EXPENDITURE.	
				£	£
Monetary benefits—					
Age	..	..	..	7,740,000	
Widows	..	..	..	910,000	
Orphans	..	..	..	20,000	
Family	..	..	..	1,045,000	
Invalids	..	..	..	1,063,000	
Miners	..	..	..	86,900	
Maori War	..	..	..	300	
Unemployment	..	..	..	150,000	
Sickness	..	..	..	375,000	
Universal superannuation	..	..	..	645,000	
Emergency	..	..	..	140,000	
				<hr/>	12,175,200
Hospital, &c., benefits—					
Medical	..	..	..	960,000	
Pharmaceutical	..	..	..	400,000	
Maternity	..	..	..	560,000	
Hospital	..	..	..	1,472,000	
Supplementary	..	..	..	115,000	
				<hr/>	3,507,000
Administration expenses					515,700
					<hr/> <hr/>
					£16,197,900

The total revenue of the Fund is estimated at £14,750,000 as follows:—

REVENUE.				£
Social security charge	..	..	..	10,525,000
Registration fee and miscellaneous	..	..	..	625,000
Transfer from Consolidated Fund	..	..	..	3,600,000
				£14,750,000

The excess expenditure, based on these estimates, will be met from the cash balances at present held by the Fund.

The foregoing expenditure, both Consolidated Fund and Social Security Fund, is shown in detail in the estimates now submitted for the consideration of honourable members.

As mentioned in my April Statement, it is proposed to limit the borrowing for the National Development programme to a total of £4½ millions. This amount includes hydro-electric works (£1,100,000), which it is important to develop in war time, housing (£1,000,000), and the balance, main highways, linen-flax development, and completion of public buildings, &c. Since my earlier Statement, it has been found possible, by a re-allocation of amounts, to increase the provision for housing from £550,000 to £1,000,000, the limiting factor in this case being the prior demands of defence.

As regards the War Expenses Account, where the bulk of the State expenditure now lies, the expenditure for the year is still estimated at a total of £133,000,000 as follows:—

**War Expenses
Account,
1942-43.**

WAR EXPENSES ACCOUNT, 1942-43.						
EXPENDITURE.				£(m.)	£(m.)	£(m.)
Army	..	..	..	97.0		
Navy	..	..	..	10.0		
Air	..	..	..	19.0		
Civil	..	..	..	7.0		
				—	133.0	
REVENUE.						
War taxation (at previous rates)	..	..	..	20.0		
Transfer from Consolidated Fund of 1941-42 surplus (£1,672,000) and further £1,500,000 from 1942-43 revenues	..	..	..	3.2		
Miscellaneous	..	..	..	3.8		
				—	27.0	
Gross deficit				..	..	106.0
Less—						
Amount to be borrowed from the United Kingdom Government under the Memorandum of Security Agreement					46.0	
Expenditure in United States of America to be financed under Lease-Lend procedure				..	..	10.0
					—	56.0
Net deficit				..	..	50.0
Of this deficit, the recently imposed increases in taxation will account for				..	..	14.4
Leaving a balance of				.	..	£35.6



to be raised by means of war loans (£27,600,000), National Savings scheme and departmental investments (£8,000,000).

Liberty Loan.

As honourable members are aware, the first Liberty Loan for £15,000,000 in stock and bonds was offered for public subscription recently, and realized the satisfactory total of £17,500,000. A further Liberty Loan for approximately £10,000,000 to provide for the balance of this year's requirements will be placed on the market before the end of the year, and honourable members and the public are asked to give this their full-hearted support.

In dealing with such large sums as the foregoing, substantial variations from the Budget estimates are possible, while it is clear that every year during which the war lasts we, in company with other parts of the Empire and with our Allies, will be faced with an ever-increasing expenditure.

I feel sure that I am speaking for the whole of the people of this Dominion, however, when I say that we face these burdens gladly and resolutely, with full confidence in the victorious outcome of our cause.

Explanatory note on omission of B.-7 and B.-7A (Appropriations chargeable on Consolidated and Public Works Funds and other Accounts).

THE appropriations chargeable on the Consolidated Fund and on the Public Works Fund and other accounts have prior to the year 1939-40 been published in the Appendices under the description B.-7 and B.-7A respectively. The appropriations are compiled from the estimates of expenditure chargeable on the respective funds or accounts which have been submitted to and passed by the House. The estimates consist of the main estimates and the supplementary estimates. For reasons of economy the appropriations have not been printed separately. If it is desired to ascertain the amount appropriated for any particular item of the estimates, there must be added to the amount shown on the main estimates the amount, if any, for the same item shown on the supplementary estimates. The total amount appropriated for each vote (*e.g.*, Vote "Legislative") is shown in the summary published in the supplementary estimates. For the separate items, however, both main and supplementary estimates must be consulted. Commencing with the financial year 1942-43 a further change was made in the presentation of the estimates of expenditure. The estimates for the Public Works Fund were not submitted separately, but were incorporated in the one estimate of expenditure. The word "Fund" was dropped, and the public-works estimates are under the heading of the Public Works Account. The same relative order is maintained in the supplementary estimates as in the main estimates.
